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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 001007

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TAGS: [PGOV](#) [PREL](#) [ETRD](#) [ECON](#) [TW](#)

SUBJECT: PRESIDENT CHEN AND THE DIRECTOR DISCUSS UPCOMING
PRESS CONFERENCE, DOMESTIC POLITICS, AND ECONOMIC ISSUES

REF: A. TAIPEI 932

[1](#)B. TAIPEI 908

Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

[1](#)1. (C) Summary: On May 1, the Director told President Chen he would stress in his May 3 press conference that the U.S. takes very seriously the issue of maintaining cross-Straits security and stability. He noted that senior U.S. defense officials had recently asked him to emphasize to Taiwan leaders the imperative to avoid steps that might damage cross-Straits stability during a period when the U.S. is facing security challenges in Iraq and Afghanistan. Senator Warner had also emphasized this point publicly in a recent Senate hearing. Noting Vice Premier Tsai Ing-wen's recent request to hold TIFA talks prior to the June 30 TPA expiration date (Refs a-b), the Director explained that agreeing to hold the TIFA talks in July will give our two sides the time and incentive needed to prepare a productive agenda. President Chen attributed Tsai's request to pressure from the business community, which is concerned that the U.S.-ROK FTA may affect their interests. Chen also said Taiwan hopes the U.S. will consider holding TIFA talks more frequently in order to accelerate progress on trade issues. End Summary.

Defense Issues

[1](#)2. (C) In a May 1 meeting (other subjects reported Septel), the Director previewed to President Chen several themes for his May 3 press conference. Presidential Office Secretary General Chiou I-jen and DDIR also participated. President Chen and the Director also discussed economic issues and Taiwan domestic politics. In his press conference, the Director explained, he would underscore the importance of maintaining the cross-Straits status quo as a basis for Taiwan's continued democratic development, pointing out that U.S. and Taiwan interests are largely the same. The Director said he would stress that, as Taiwan's major partner, the U.S. takes very seriously the issue of cross-Straits security and stability. He recalled that senior U.S. defense

officials had recently asked him to emphasize to Taiwan leaders the imperative to avoid steps damaging to cross-Strait stability during a period when the U.S. is facing security challenges in Iraq and Afghanistan. Senator Warner had made the same point publicly in a Senate hearing with PACOM Commander Admiral Keating, the Director added. Finally, the Director told President Chen, the U.S. cannot understand why the Legislative Yuan (LY) continues to block the defense budget and not give the Taiwan military the weapons needed to defend Taiwan.

"Four Noes"

13. (C) The Director told Chen he would emphasize in his press conference that the U.S. respects and does not interfere in Taiwan's democracy. The U.S. will work with the president elected by the Taiwan people next year, whoever that might be. If asked whether the U.S. would request Taiwan's next president to reiterate the "four noes," the Director said, he would respond that the U.S. would not dictate to Taiwan's new president but would candidly explain the U.S. positions and interests on economic, political, and security issues. It would be up to the new Taiwan president to decide whatever he or she might want to say. The Director recalled that it was President Chen who had decided on announcing the "four noes" in his 2000 inaugural address. Contrary to some current misimpressions, he added, the U.S. had not dictated the "four noes." President Chen agreed with the Director's recollection.

DPP Presidential Primary

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14. (C) In brief comments on the DPP presidential primary, Chen noted that the result will be known on May 12. No matter who wins, the candidate will face the key task of unifying the party after the primary battle. It may take time for the presidential candidate to identify a running mate, Chen predicted. The process will involve more than personal considerations as the vice presidential candidate will need to provide added value to the ticket which will contribute to victory in the general election.

TIFA Talks

15. (C) The Director noted that in two recent meetings Vice Premier Tsai Ing-wen had stressed to him that she regarded June 30 as an important date in the TIFA process, because Trade Promotion Authority (TPA) would expire on that date and the U.S. had recently concluded an FTA with the ROK. Tsai had expressed hope that the next round of U.S.-Taiwan TIFA talks could be held in Washington prior to June 30. The Director told Chen he had explained to Tsai that the date June 30 held no special significance since a) it was not clear whether TPA might be extended then or at some future date, and b) the just-initialed U.S.-ROK FTA was not likely to be put to the U.S. Congress until the fall. The U.S. has proposed dates in early July to hold the TIFA talks, and could not accommodate the Tsai-proposed June dates.

16. (C) Chiou I-jen suggested that Tsai's request to advance the dates for the TIFA talks stemmed from Taiwan business community pressure on the Executive Yuan (EY) to talk quickly to the U.S. before the June 30 expiration of TPA. The Director explained that DUSTR Bhatia has no free time in June, but he and his team have been working diligently on U.S.-Taiwan trade issues, including tax and investment agreements, agriculture, and a government procurement agreement. By scheduling the TIFA talks in July, our two sides will have time to arrange a productive agenda, the Director observed. TIFA is good in its own right and can help lay groundwork for a possible future FTA if the proper

conditions for an FTA exist at that time.

¶17. (C) President Chen agreed with Chiou that there has been unprecedented pressure from the business community, which, in reaction to the U.S.-ROK FTA, wants the Taiwan government to consult quickly with the U.S. on an FTA. Observing that the TIFA process has been underway for a long time, Chen said that Taiwan would like to accelerate the talks and quickly sign some agreements, as this would help to reassure the business community. Saying that he was making a formal request on behalf of the Taiwan government, Chen asked if it would be possible to hold TIFA talks several times per year.

¶18. (C) The Director said he would inform Washington of Taiwan's request, adding that other U.S. partners, including Japan, have also expressed concern about our FTA with South Korea. Pointing to recent progress in one important aspect of our economic relations, the Director noted that the EY recently approved the agreement establishing the U.S.-Taiwan Consultative Committee on Agriculture (CCA). Our two sides will soon sign this agreement in Washington, with the first CCA meeting to be held in Taipei this coming fall. Asked by Chen about the possibility of a high-level visit to Taiwan, the Director responded that we are always looking at appropriate visits that could advance key U.S. interests.

Comment

¶19. (C) We tried in this exchange to persuade President Chen that July TIFA dates would not jeopardize Taiwan's economic interests. While less adamant than Vice Premier Tsai, Chen's response hasn't solved our drive to lock in the July dates. We will have to go back to Tsai once we've gotten

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Washington's update on outstanding questions she posed in Reftel meetings last week.

YOUNG